

Finland

Northern Lights on American Exports

by William Corley
Export America

Finland's tiny population belies its regional strength and worldwide influence. Within the last decade, Finland has gained prominence not only as a Baltic-Scandinavian crossroads but also as a powerful global trader. Known for the high-tech quality and competitiveness of its products, "tiny" Finland is actually the seventh-largest country in Europe by area. While U.S. companies may once have considered Finland a very remote and awkwardly neutral country, Finland is now an important commercial partner of the United States, and its sophisticated market offers many export opportunities.

HIGH-GROWTH GATEWAY

Finland rebuilt its economy after a damaging recession in the early 1990s. Strong manufacturing was integral to economic recovery; Finnish manufacturing registered faster output growth than that of the world's most industrialized countries, 1994–2000. Much of this manufacturing ensued from the export performance of the telecommunications equipment sector. Finland also bolstered its economy by joining the European Union in January 1995, and adopting the euro as its sole currency in January 2002.

Finland is part of a commercial locus formed by Scandinavia, northern Russia, and the Baltic states, which encompasses some 80 million consumers. This proximity has made Finland a major transshipment area, which utilizes Finland's well-developed road and rail infrastructure. Finland has the same rail gauge as Russia, and efficient roadways link Finland to the European

FACTS AND FIGURES

Total area: 337,100 square km (a little smaller than Montana)

Population: 5.2 million

GDP: \$140 billion (2002 forecast)

GDP by sector: services 68%, industry 29%, agriculture 3%

Main industries: forestry, metals, shipbuilding, electronics, telecommunications

Currency: euro

Exports: machinery and equipment, chemicals, metal products, timber, paper, pulp, electronic and electrical products

Imports: foodstuffs, petroleum and petroleum products, transportation equipment, iron and steel, machinery, textile yarn and fabrics, grains

Free trade agreements/membership: European Union (EU), European Free Trade Association (EFTA), European Economic Area (EEA)

Official languages: Finnish (93% of the population) and Swedish. Many Finns speak English.

Sources: U.S. Department of Commerce, CIA, EIU.

Union. As Finland expands its highway system along the Russian border, more than two-fifths of the European Union's road shipments to Russia travel through Finland. A network of modern, automated ports, more than a dozen of which handle transit cargo, complements the road and rail system.

Given these strong eastern ties, Finns are familiar with business in Russia, as well as in Estonia, Latvia, and Lithuania. Particularly in reference to small countries that border large countries or regions, "gateway" is a hackneyed term in international trade. However, this term applies to Finland. Many foreign companies use Finland as a base for expanding their trade and investment in the former Soviet Union.

REALIGNMENT AND INTEGRATION

Finland spent most of the latter half of the 20th century in precarious neutrality. Finland had to strike a balance between an independent

foreign policy and one that did not provoke its gigantic and powerful eastern neighbor. During the Cold War, Finland maintained a Western-style democracy and economy, but neutrality dictated that it not fully participate in the integrative political and economic structures of Europe. For instance, the Soviet Union frowned on Finland's EFTA associate membership in the 1960s; Finland did not become a full EFTA member until the Gorbachev thaw in the mid-1980s.

Since the collapse of the USSR in 1991, Finland has energetically pursued European integration and normalization of relations with Russia. Finland signed a new treaty with Russia in 1992, annulling the restrictive 1948 treaty of friendship, cooperation, and mutual assistance with the Soviet Union. In 1992 Finland also applied for European Community (EU predecessor) membership. Two years later, Finland made a significant purchase of U.S. military aircraft.

Together, these moves marked the end of Finland's formal policy of neutrality. Finland is currently a member of the Euro-Atlantic Partnership Council, a group of countries affiliated with the North Atlantic Treaty Organization. Although Finland has not decided whether to become a full NATO member, it already contributes troops to NATO peacekeeping missions.

As Finland reaches out to the world, the United States has become Finland's fourth-largest trading partner (after Germany, Sweden, and Russia). Bilateral trade between Finland and the United States exceeds \$5 billion annually. The United States consumes 9 percent of Finland's exports, and it provides 7 percent of Finland's imports. Notwithstanding certain EU regulations, Finland has no significant trade barriers against U.S. products and services.

WEALTHY AND COMPETITIVE—HONESTLY

Finland has one of the highest per capita incomes in the world, and its economy is a dynamic free market based on natural resources, modern industry, and indigenous technology. The World Economic Forum and Transparency International rank Finland as the most competitive and least corrupt country in the world, respectively.

Besides being the world leader in telecommunications, Finland has exceptional metals, wood products,

and shipbuilding industries. Finland is among the world's top 10 producers of ships. Finland makes one out of every four cruise liners in the world.

Finland is a unique environment for highly sophisticated manufacturing and services. Its economic success may begin with top-notch education. The government requires that all citizens go to school through age 16, which makes Finland almost 100 percent literate. In 2000, Finland was the only country among 32 industrialized nations to place in the top five in each category (of reading, mathematical, and scientific literacy) of an OECD study of 15-year-old students.

In just a decade, Finland has joined the ranks of the world's leading producers and users of information and communications technologies. Penetration rates of technology in Finland are extraordinary. Sixty percent of Finnish homes have computers, 75 percent of Finns own mobile phones, and Internet connections per capita in Finland are second only to the United States.

The deeply integrated use of information and communications technology in Finland can be seen in banks, schools, libraries, hospitals, and homes. E-commerce is more advanced in this country than anywhere else in the world. For instance, users of traditional banking services are in the minority, and 80 percent of Finnish companies have home pages on the Internet.

The United States is Finland's leading foreign supplier of computers and peripherals. Demand for new-and-improved technologies has made Finland an attractive market for U.S. exporters. Additionally, the demand for computers in Russia and the Baltic countries has boosted Finland's gateway-marketing status.

TECHNOLOGICALLY ADVANCED

Telecommunications is a driving force in the Finnish economy. Four years

ago, Finland became the first country in which mobile phones exceeded the number of wired phones. Nokia, headquartered in Finland and employing thousands of people worldwide, symbolizes Finland's world-class telecommunications. Nokia is the world's leading manufacturer of mobile phones.

Telecommunications has challenged the traditional forestry sector in its contribution to economic welfare. Forest products and telecommunications equipment each account for about a quarter of Finland's exports by value. Finland's electronics industry (including telecommunications) constitutes 7 percent of GDP. At its peak two years ago, the electronics industry was responsible for more than 30 percent of Finland's economic growth.

Finland's telecommunications market is one of high standards and stiff competition among service providers. Finland was one of the first countries in the world to open its telecommunications market, and it consequently has some of the lowest respective tariffs. This liberal and cutting-edge environment has created an excellent test market for new products and services. Hewlett-Packard, Lotus, and Siemens have established facilities for wireless Internet development in Finland.

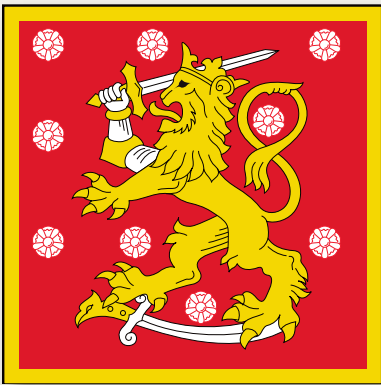
Finland's widespread use of technology, in addition to its willingness to trade with the world, has created a market full of opportunities. U.S. companies active internationally should definitely be aware of the benefits of business in Finland, especially if they are interested in the Russian or the Baltic market. ■

BEST PROSPECTS FOR NON-AGRICULTURAL EXPORTS TO FINLAND

- Computer software
- Franchising
- Telecommunications equipment and services
- Medical equipment
- Computers and peripherals
- Environmental technologies
- Travel and tourism
- Biotechnology

Source: U.S. Commercial Service, Helsinki.

Aubrey Prince, a summer intern at the ITA Office of Public Affairs, contributed to this article. Main sources: *Country Commercial Guide: Finland, FY 2003* (U.S. Commercial Service and U.S. Department of State, 2002), *The World Factbook* (CIA, 2001), and *The Story of Finland* (Finnfacts, 2001).



EXPORTING TO FINLAND

Basic Documentary Requirements

- Bill of lading (one original and one copy required, no special format; "to order" bills of lading allowed).
- Packing list (required).
- Commercial invoice (one copy of the original invoice is required).

Other Documentation

- Certificate of origin: Although not required for U.S. products, it may be requested upon import. If a certificate of origin is required, appropriate consular legalization or chamber of commerce certification is necessary. The certificate of origin must contain a complete description of the goods, country of origin, marks and numbers on packages, and metric net and gross weights.

- Sanitary certificate: Necessary for goods that may carry or otherwise transmit plant, animal, and contagious diseases. For more information, visit the U.S. Department of Agriculture at www.usda.gov.

Import Taxes and Licenses

Certain goods require import licenses. Finland follows the import licensing procedures of the European Union. Agricultural products may be subject to import duties or fees.

Tariff and Non-Tariff Barriers

Finland has a value-added tax (VAT) system similar to that of other EU countries. The basic VAT rate is 22 percent. Food products have a 17 percent VAT. Medicines, books, passenger transportation services, hotels and accommodations, and sports and entertainment are subject to 8 percent VAT. Health care, education, insurance, newspaper and periodical subscriptions, and other services are free of VAT.

Forestry and agricultural products are subject to taxation other than VAT. Some agricultural products are subject to EU quotas, import licenses, taxes, and other provisions.

Tariff Rates

Duties and other import taxes are based on the customs value of the goods at the point of importation. The customs value is based on the transaction value of the imported goods; in practice, the customs value is normally the CIF value.

Standards and Labeling

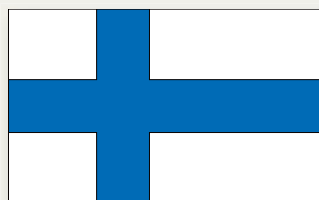
Finland uses the metric system of weights and measures. Products to be sold in Finland should therefore use the metric system. Additionally, U.S. products exported to Finland should meet international or European standards.

Product labeling and marking requirements in Finland follow EU product safety practices. Retail packaging and product marking should include the product name, description of contents, manufacturer's name (or the name of the company that had the product manufactured), and the weight or volume of the contents (in the metric system).

Sales and Distribution

Distribution in Finland is similar to that in the United States. Products are sold through an agent, distributor, wholesaler, or directly to retail enterprises. Wholesalers and trading houses often import consumer goods, but such merchandise may also be sold directly to retail and department stores.

Sales techniques and terms in Finland are also similar to those in the United States and other industrial countries. Finland is a small market that covers a large area. It is possible for a U.S. supplier to appoint just one local distributor, as long as the



distributor can ensure nationwide coverage.

Going to the Right Source

Export and import requirements, including tariffs and taxes, are subject to change. The information above is only a general guide, and it should not be used without checking with customs and export regulatory authorities in both Finland and the United States.

For more information about exporting to Finland, consult the latest *Country Commercial Guide* for Finland or contact the U.S. Commercial Service in Helsinki (both at www.buyusa.gov/finland/en). Finland's National Board of Customs offers on-line guidance in English to travelers and traders at www.tulli.fi. ■

NATIONAL PUBLIC HOLIDAYS, 2003

January 1 New Year's Day	December 6 Independence Day
January 6 Epiphany	
April 18 Good Friday	December 24 Christmas Eve
April 20 Easter	December 25 Christmas Day
April 21 Easter Monday	
May 1 May Day	December 26 Boxing Day
May 29 Ascension	Offices and schools are closed on Midsummer Eve and Christmas Eve, but shops are open parts of both days.
June 8 Whitsunday	
June 20 Midsummer Eve	
June 21 Midsummer	
November 1 All Saints' Day	Source: University of Helsinki Almanac Office.

WEB RESOURCES

U.S. Commercial Service in Finland

This site offers extensive information about best prospects, trade events, networking services, and much more. The site also offers a downloadable version of the latest *Country Commercial Guide*, a comprehensive look at economic, political, investment, trade, and regulatory issues in Finland. The Commercial Service operates out of the U.S. embassy in Helsinki, and it is the primary facilitator, consultant, and promoter for U.S. businesses that wish to enter the Finnish market.

www.buyusa.gov/finland/en

U.S. Embassy in Helsinki

This well-organized site provides a wide range of in-depth information, including news, public affairs, consular services, electronic library resources, commercial services, and defense information. The site also contains numerous useful links to other organizations.

www.usembassy.fi

Virtual Finland

This English-language site, maintained by Finland's Ministry for Foreign Affairs, is an excellent introduction to all things Finnish. The site has numerous pages and links for news, history, travel, international relations, and more. The Finland Information (FINFO) pages include articles by independent specialists on a variety of topics, from industrial development and business customs to environmental issues and the history of the sauna.

<http://virtual.finland.fi>

Helsingin Sanomat, International Edition

This site contains abstracts in English of several daily

stories, as well as a weekly digest of edited articles from the newspaper. The editorial staff describes the on-line content as either "international with a Finnish connection" or "Finnish with an international dimension." The site contains several useful links and pages, especially fun facts and FAQs about Helsinki and travel to Finland.

www.helsinki-hs.net

Finnfacts

Finnfacts is an independent media service that introduces foreign journalists to Finnish industry. The site provides information about the economy and society of Finland. Finnfacts compiles economic data and political information from several Finnish government agencies. The site also contains industry overviews and company profiles. The on-line content is in English and several other languages.

www.finnfacts.com

Embassy of Finland in Washington, D.C.

This site contains relevant consular information and several commercial and media links. Incidentally, this embassy was rebuilt in 1994 and is well known locally for its distinctive use of wood, glass, and bronze—all proudly noted in a photo gallery on this Web site.

www.finland.org

Finnish-American Chamber of Commerce

Since 1948, the New York City-based FACC has promoted investment, economic development, and trade between Finland and the United States. This site features information about the chamber and its chapters, as well as networking events and business development opportunities.

www.finlandtrade.com ■